Globalisation, equity and health: a framework of analysis

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A tentative Framework

Defining globalisation

- (i) what is it?
  - economic integration:(X/GDP, Finance/GDP; migration/pop)
  - Spread of consumption patterns, health behav, culture
- (ii) on what does it depend ?
  - Endogenous technical change that
    - Cuts costs of info, communic., transport (enhances cross-borders flows of goods, finance, technology, tourism, labour)
    - Enhances observability of living standards worlwide (affects decisions to migrate, consumption models)
  - Exogenous policy decisions (measured by policy indexes) on
    - External transactions(trade, FDI, portfolio finance, technology)
    - Domestic policies facilitating indirectly external transactions (taxation, labour institutions, price deregulation, privatisation)
    - International agreements on global rules (TRIPs, MAI investment, migration, global financial architecture, etc.)

Defining the determinants of health

Stock variables:

- Lifestyles (smoking, diet, drinking, KAP)
- Environmental contamination (vectors, water, air, soil)
- Structure/stability of family (adult/child ratio, com/uncomplete
- Assets and Human capital (incl.health knowledge)
- Community solidarity and ability to undertake collective action
- Existing collective health/water infrastructure

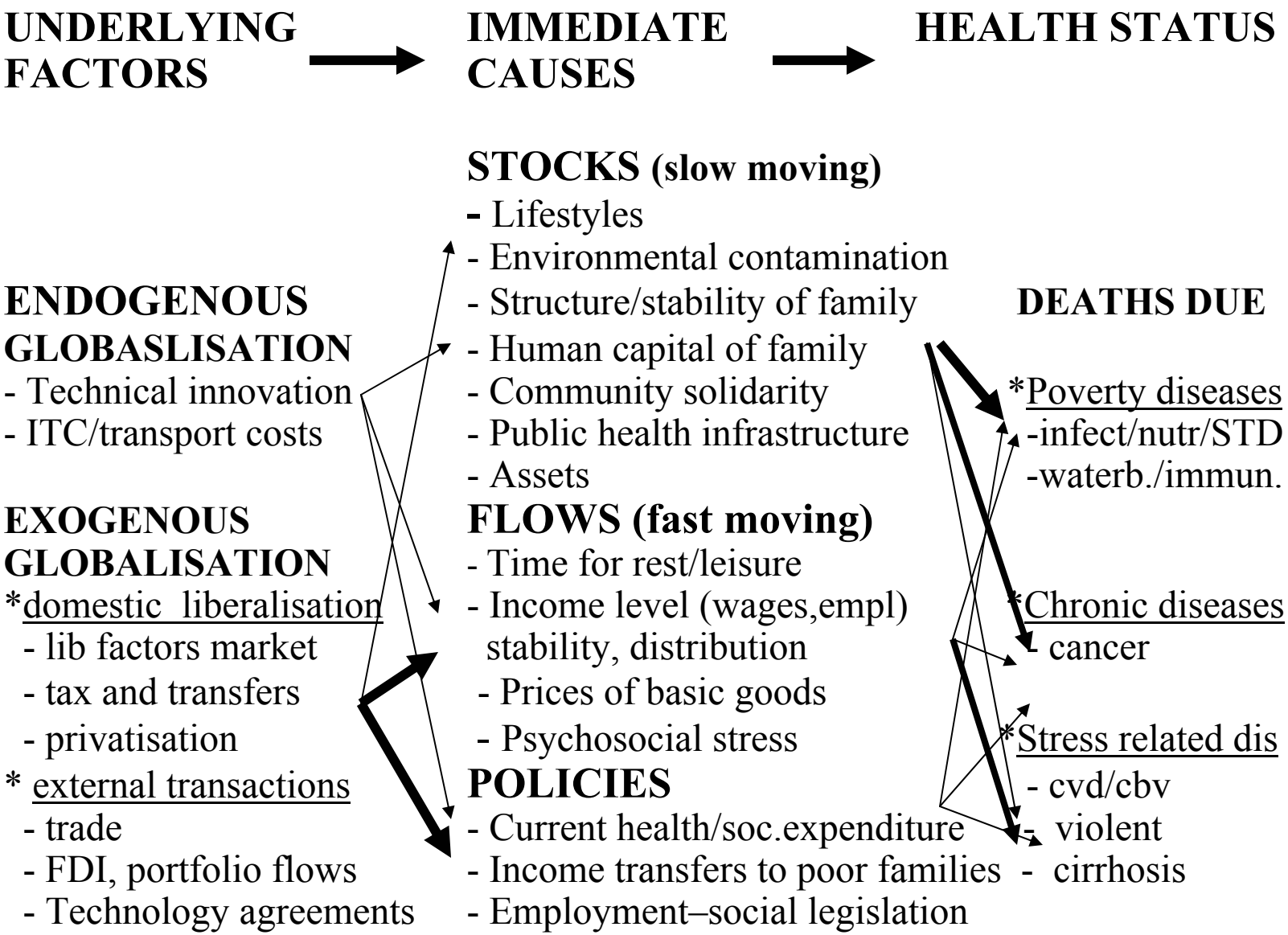
Flow variables:

- Time of adult member of the family
- Current family income: GDP/c, $\sigma_{GDP/c}$,Gini
- Prices of basic goods (food, fuel, drugs)
- Psycho-social stress (linked to uncertainty & sudden change)

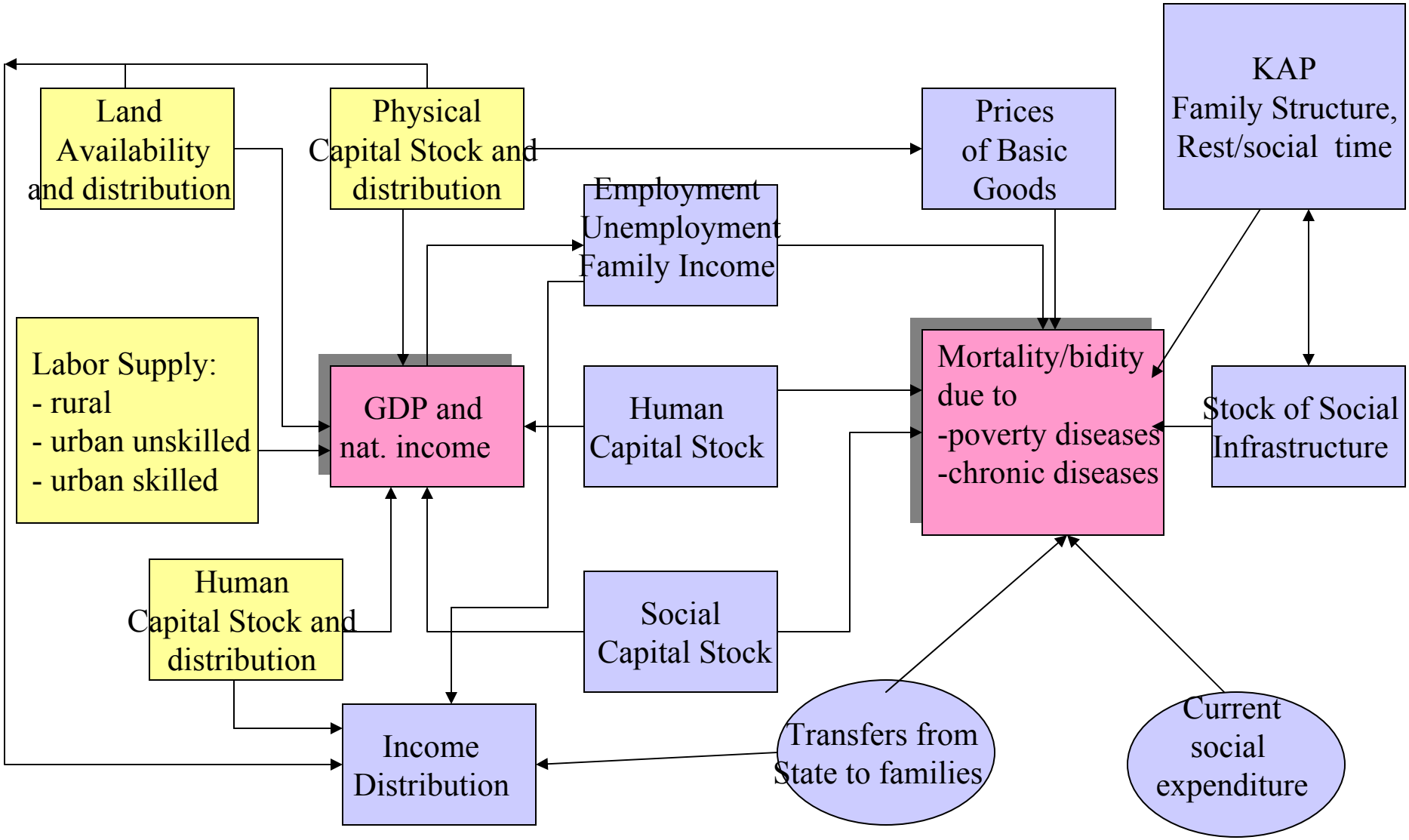
Policy variables:

- Current public expenditure on social services
- State income transfers to poor families
- Working conditions (affect disability, disease,accidents)

A general framework linking



Economics and health: the 'material deprivation' pathway



(i) income/capita:level and stability

- Income/c is correlated with LEB, but relation is concave, > 5000$PPP only small gains in LEB (McKweon, Preston). True for all diseases?

- Particularly at low levels, instability of income/c (+lack of insurance/credit) reduces LEB

- High variance of income/c also raises uncertainty and stress

(ii) inequality (how high?Gini 35?50?) worsens health:

- concavity relation between GDP/c-health(Preston)
- reduced income growth via:
  - Low investment in human capital (Perotti)
  - Social tension/declining work incent.(Venieris-Gupta)
  - Decreasing returns to capital (Aghion et al)
  - Policy distort, govmnt failure(Alesina-Drazen, Birdsall)
  - 2 Exceptions: social mobility theories + Forbes
- hierarchy, loss of control (Marmot, Wilkinson)
- erosion social K cuts sharing of health info, help
- high crime rate and violent deaths (Bourguignon)
- low capacity to tax élites reduces social expendit

Income ineq → health inequality

- High income ineq raises health inequality
  - low access to private care by poor,
  - weak state provision (inability to tax élites)
  - self-exclusion by poor?

- China is recent example (Zhang Kanbur)

	Gini	% Pers.Exp	Nat IMR	R/U IMR	F/M IMR
1981	28	18	26.9	1.5	0.9
1990	38	39	29.5	1.7	1.2
1995	43	50	39.2	2.1	1.3

(iii) Health expenditure and distribution

- is main channel for diffusion of knowledge technology (explains for 45% of IMR gains)

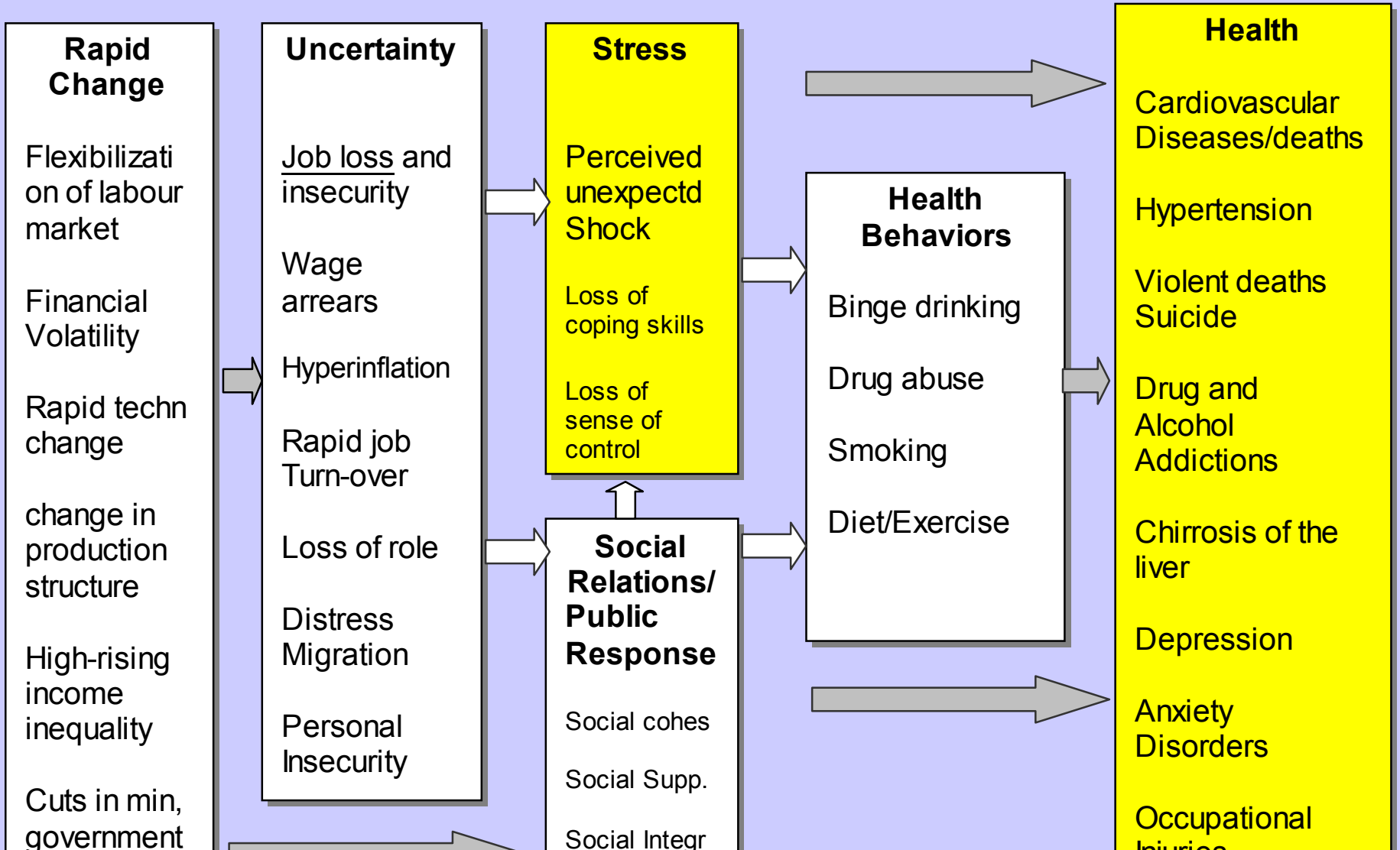
- it is essential but :
  - it also has decreasing returns
  - Its impact depends on inter-sectoral allocation

- Its impact depends also on its distribution among social groups, regions, genders

(iv) education, esp. for women

- 38% of drop in IMR due to improvements in female educat. in poor countries(WHO)
  - key to diffusion of health knowledge
  - improves use of existing health resources (at delivery, post-partum and for vaccination)
  - better management and allocation of scarce family income (besides rising it)
  - improves female autonomy and fertility regulation (Jain)

Economics and Health:
the acute psycho-social stress pathway



(i) Labour market changes and stress

- unanticipated/unattended rises in unempl. cause
  - loss of skills, cognitive abilities, motivation, confidence
  - psych.harm (loss self respect, unwantedness, dependence)
  - erosion of norms and a greater crime rates
  - family violence and disruption of social relations
- fast restructuring and turnover, unstable jobs
  - often associated with job-search migration
  - lower quality of employment (unskilled workers)
- job conditions/security(the new l.m. model)
  - low pay, unstable, no written contract, weak bargaining conditions, wage arrears
  - deskilling, insecurity

income inequality and stress

- A surge in inequality/social hierarchy
  - reduces access to health services (via divergence of interest and lower taxation)
  - reduces social cohesion which(with weak state) -->
    - reduces control of deviant health behavior
    - reduces crime control and increases personal insecurity
      - » in Russia crime rate up 3-4 times in CR
      - » in CR homicide rate is 50/5 times that of WE/USA)
    - increases social hierarchy and reduces latitude/control at work
  - increases personal isolation (collapse of party-state structures not replaced by eroding civil society)
  - increases sense of frustration

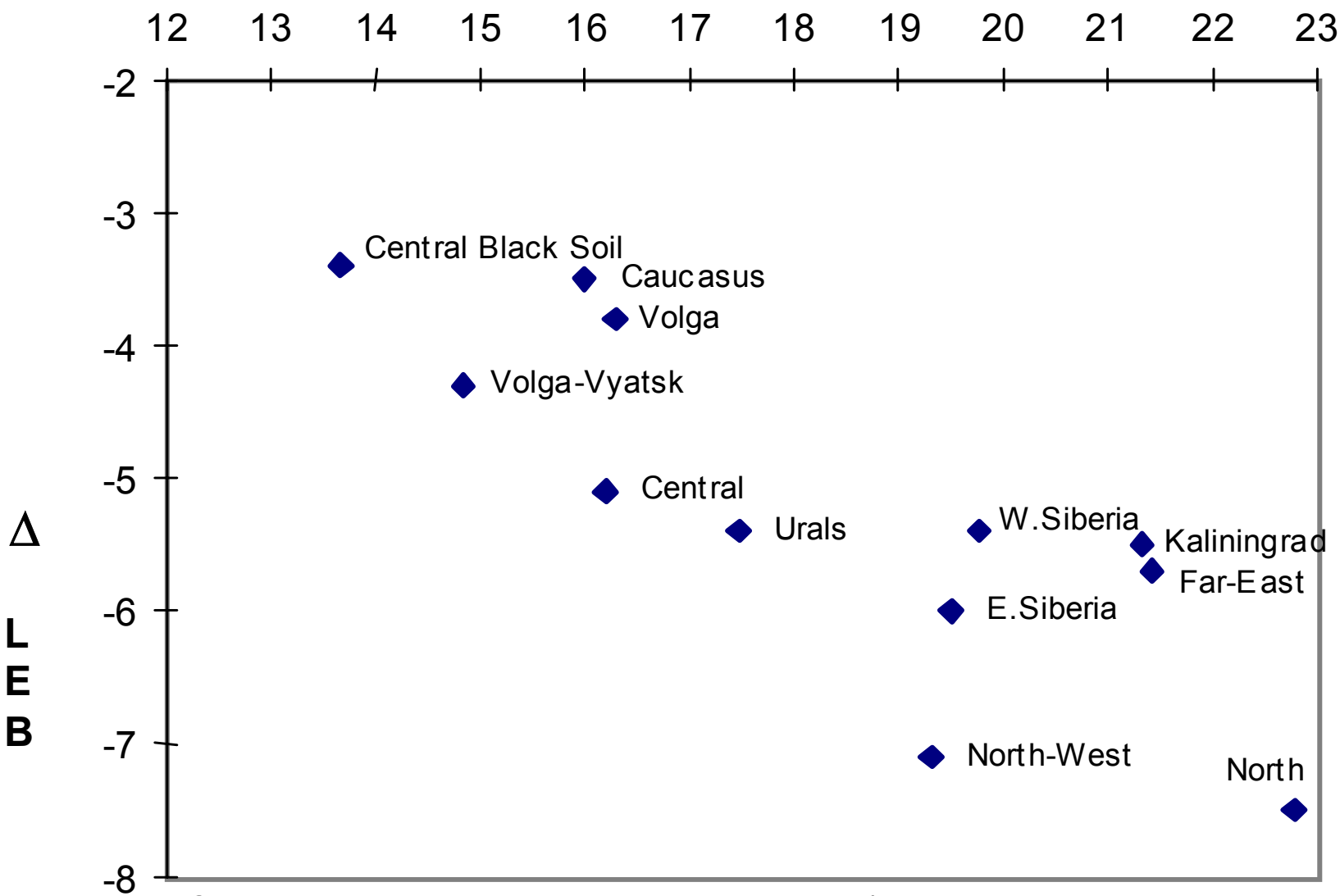
Labor mkt changes:Russia & CR

»	Russia	Czech Republic
• privatization	fast/inequitable	slow/equitable
• reg Unempl. R ‘95	3.2	3.0
• ILO Unempl.R	12.0	4.5 ?
• % U in ALMP	33	75
• unattended U.R.	7.8	1.5
• wage bill/GDP’94	39.5	60.9
• minwage/av wage’95	26.9	8.8
• wage arrears	high	very rare
• Gini wages’94	46.4	24.0

Erosion of fam/social networks and stress

- CDR rises in adult MR depresses % married adults. This raises SDR as married people
  - lead healthier lifes than singles
  - are less exposed to stress
  - have greater access to social networks
  - do not suffer from bereavement as widows/widowers

- migration (esp. distress migration) causes
  - material hardship and housing problems
  - loss of established social networks
  - disorientation in new environment



Stress caused by unexpected situations (Unemployment, Labour turn-over and shift in the % of married adults), 1989-93, Russia

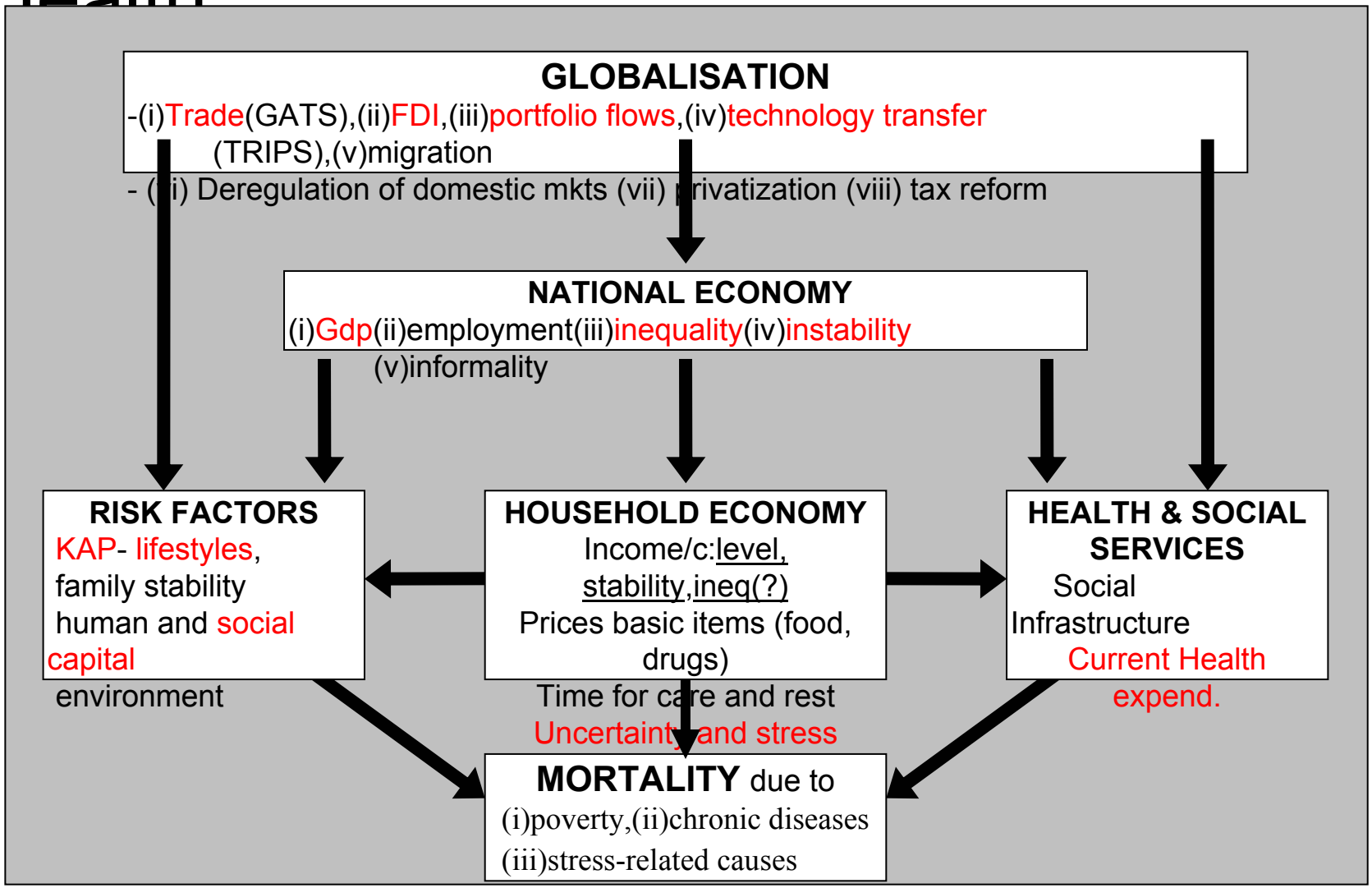
Historical examples of mortality changes induced by sharp changes

- Rapid 1860-80 industrialisation in UK (Szreter)
- The freeing of the slaves in the USA (Meeker)
- Russian mortality crisis(92-4+98-01) (Cornia-Paniccia)
- East Asian crisis/S.Korea (World Bank, Cornia)
- Japan in the 1990s (Lamar)
- Warangal District, Andra P., '98-9 (Sudhakumari)

- and …. impact of 'rapid entry' of China in WTO ?

2.Key pathways of the impact of globalisation on health

Framework Linking Globalisation & Health



2.1.
Globalisation, (health) technology transfer and health

1. Transfer of technology &health

- ITC revolution reduces the cost of spontaneous information diffusion
- This facilitates spread of health knowledge and improves health (if social networks operate well)
- Trade (e.g. in vaccines) →health improvements
- market based technology transfer depends on its cost. This is rising because of TRIPS
- 'international mkt failure' as health research focuses little on Southern problems

2.2

Globalisation of trade, finance, factors markets and inequality/growth

- Standard econ theory predicts that due to L+G
  - Trade increase lab-intensive exports & employment of unskilled workers in dg's, reduce prices of goods and raises consumer welfare
  - FDI and portfolio flows raise employment of unskilled workers while technology raises firms competitiveness
  - Mkt liberalistation stimulate competition & efficiency,
  - Thus, G+L= more growth and perhaps equality → less poverty/more health
- True? false?
  - True 'in theory' under restrictive conditions and 'in practice' in limited n.of countries – at the moment -
  - In other cases, G + L may have been implemented prematurely and backfired
  - Time horizon of evaluation and 'transition costs'
  - They should be pursued when conditions are met

details on next pages →

(i)Trade liberalisation, ineq/growth

- Trade Theory: reduces ineq in LIC, raises it in OECD (HO-SS), accelerates growth, reduces prices
- Observed trends: A mixed picture
  - Improved distribution/growth in SEA in 60/70s (Wood) and –ceteris paribus – in Coastal China in 90s (various)
  - Worsening in LA,Philippines,EE in 1990s (Williamson)
  - Regression analyses:
    - Free trade raises growth, reduces poverty (Sachs/Warner, Dollar)
    - Overall relation is indeterminate(Rodrik/Rodriguez, Vivarelli)
- Theoretical explanations beyond HO/SS (2x2x2)
  - Skill Enhancing Trade raise capital (not labour)intensity
  - Hanson Feenstra effect
  - Structural rigidities and 'national institutions' (Rodrik)
  - Commodity depend+price shocks (Birdsall/Hammoudi)
  - Asymmetric liberalisation and protectionism(Slaugther)

(ii) Liberalisation of FDI & Ineq

- FDI Theory: 'greenfield FDI' reduces ineq as it raise labour demand-wages of unskilled workers:
- Observed trends: A mixed picture (Woodward)
- Alternative theoretical explanations of discrepancy
  - advantages of FDI are greatest in labour-intensive manufacturing, not in capital-or-resource inten. sectors
  - M&A in utilities sector. The equity effect of this operation has depended on the sale price of assets, prices of services supplied and industrial restructuring.
  - 'Business stealing' from SME is regressive,
  - N-S plant relocation & skill-biased tech. change

(iii) portfolio flows & inequality

- Theory: inequality falls due to jobs creation & better inter-sectoral/temporal allocation of funds
- Observed trends:
  - Moderate worsening for inflows (Taylor), large ones for crisis outflows (Galbraith, Diwan)
- Alternative theoretical explanations
  - inflow of portfolio flows trigger :
    - Appreciation RER: less labor absorption + job outsourcing
      Trigger credit booms with high i.r.+strong e.r raise CS (Taylor)
    - Intersectoral alloc: funds go to rent and capital intensiveFIRE
  - mass outflows
    - Panic,heard behavior,contagion, recession →fall WS (Diwan)
    - poor affected most via jobs, wage, price effects (Levinshon)

(iv) Reform of taxes/transfers and inequality

- Theory: Tax reform not inspired by OTT/equity but by 'admin. simplification'.Lower progressivity to be offset by broadening tax base +VAT. Neutral effect & growing yields (Laffer)
- Observed trends
  - Reduced yields/progressivity, less equalizing (Chu et al.)
  - Mixed evidence of progressivity of transfers (SEF)
- Alternative theoretical explanations
  - Lower progressivity/simpl. prevailed on tax broadening
  - Gradual dominance of (non-graduated) indirect taxes
  - 'Race to bottom' to attract FDI affects tax rate/holidays

Bourguignon-Morisson (2002) confirm inequality rise over l.t.

(average value of within-country inequality coefficients)

- 1820 1870 1910 1950 1960 1970 1980 1992
- Theil 0.462 0.484 0.498 0.323 0.318 0.315 0.330 0.342

Inequality trends after adjustment for last 6-7 years

	OECD	Developing*	Transition	Total
rising	12	20	21	**53**
constant	2	11	0	**13**
declining	2	3	2	7
Total	**16**	**34**	**23**	**73**

* Increases were most frequent in L.America and the Asian transition economies, followed by S.Asia and recently by S.E. + E. Asia, Africa

Slow growth of GDP/c, except for few countries

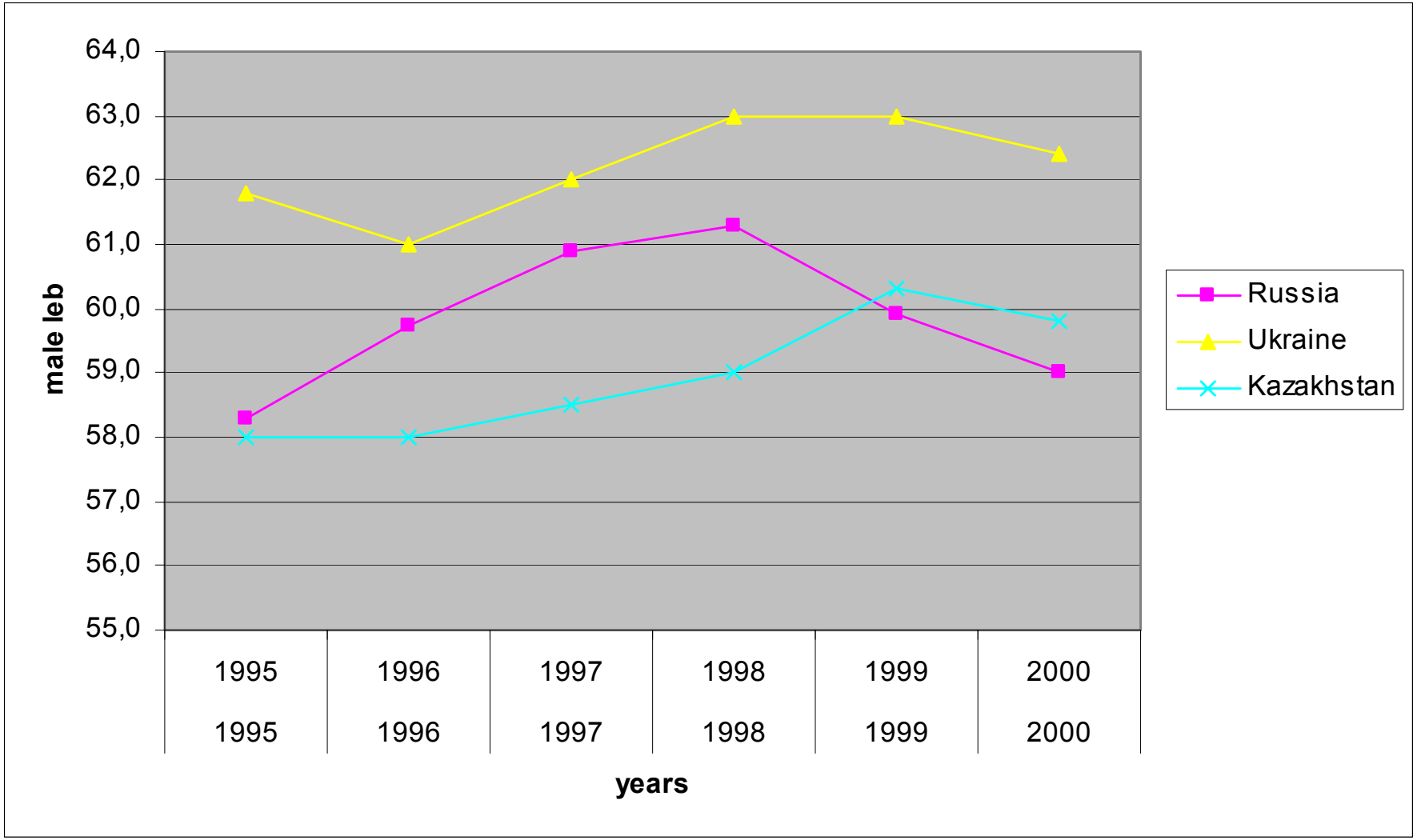
	1960-9	1970-9	1980-9	1990-8
World	**3,4**	**1,8**	**1,2**	**0,8**
OECD	**4,3**	**2,5**	**2,2**	**1,4**
• **E.Asia (excl. China)**	**4,9**	**5,1**	**3,2**	**….**
China	**1,3**	**4,4**	**7,7**	**9,2**
E.Europa & C.Asia e	**5.0***	**2.3***	**2.1***	**-3.3**
L.America	**2,7**	**3,3**	**-1,1**	**1,9**
MENA	**..**	**..**	**-0,4**	**0,7**
S.Asia excl India	**2,3**	**0,6**	**3,0**	**2,5**
India	**..**	**0,8**	**3,4**	**3,8**
SSAfrica	**2,6**	**0,6**	**-1,1**	**-0,5**

2.3.
Globalisation and instability

Rise of unregulated portfolio flows raises n. financial crises

- Has instability risen? A mixed picture
  - The number of financial crises and poverty have risen,
  - ---
  - Incidency of poverty: before during after
  - ---
  - Argentina (87-90) 25.2 47.3 33.7
  - Argentina (93-7) 16.8 24.8 26.0
  - Jordan (86-92) 3.0 …. 14.9
  - Mexico (94-6) 36.0 …. 43.0
  - ---
  - The countries affected by contagion likely rose
  - USA,China,India (forbid such flows) had stable growth
  - for same GDP/c, greater variance reduces LEB and raises uncertainty and stress

the 1998 Russian financial crisis and leb



Inpact of August 1998 financial crisis and rouble devaluation

- Loss of life expectancy at birth in 1999-200
  - URBAN RURAL

	Males	all	Males	all
• Russia	2.4	1.8	1.9	1.5
• Moscow	2.9	2.0	0.9	0.7
• St. Petersb	3.8	3.3	….	…..
• Lening.obl	4.3	3.5	4.0	3.3

- the increase in death was due to Cvd and violent causes

2.4.

Globalisation and public expenditure and social standards

Globalisation erodes public provision of health care?

- 'Race to the bottom' erodes also legislation on trade-unions, min-wages, safety at work, child labour & environment
- No systematic evidence of falls in public expend health, (China down but other constant/up, as LA)
- Effect of price of drugs (TRIPS), and of GATS?
- Norm-erosion can lead to health/injury hazard,
- FDI outsourcing: tough verify norms compliance

3.

Some health trends

Slowdown in social progress

- Slower gains in wellbeing (Cornia –Menchini)
  - world IMR drops by 2.7% a year in 1980s, but by 1.3% in 90s
  - Simulated lower gains in LEB
    - In 2000, LEB was > 2.1 years in LIC, 1.4 in MIC in relation to base scenario (GDP growth, inequality, technology and parameters were the same as in Golden Era).
  - child malnutrition drops by1.6% in 80s to 0.8% in 90s (Haddad)
- Growing polarisation of social gains
  - divergence in IMR between regions and countries (CV)
  - growing polarisation in some distributions of IMR by
    - Urban- rural
    - Maternal education

Δ Leb (male) 1989-99in EE-FSU

	– Max loss – since 1989	Change over 1989 –1999	Change over 1989-1991
• Belarus	- 4.6 (1999)	- 4.6	- 0.3
• Russia	- 6.6 (1994)	- 4.3	- 0.7
• Ukraine	- 5.0 (1996)	- 3.0	- 2.0
• Moldova	- 3.7 (1995)	- 1.3	- 1.2
• Kazakstan	- 5.5 (1995)	- 3.6	- 1.2
• Kyrgystan	- 2.9 (1995)	- 1.2	0.3

In conclusion

- Glabalisation has large potential for improving health (e.g.through health technology gains in poor countries)
- Potential (old and new) gains and threaths
- A good deal of these benefits probably do not seem to have been enjoyed beacause mkt, financial, governance distortions